

DRAFT

Guidelines for the Use of Project Development Financing

Center City – West Greenville Revitalization Project Areas

Greenville, North Carolina

I. Policy Objective

The following are the policies and procedures for the establishment of Tax Increment Financing (TIF) districts falling wholly and fully within the boundaries of the Center City – West Greenville Revitalization Area. These Guidelines are intended to be of benefit to City staff, developers, and residents alike and to serve as a framework of best practices to ensure TIF proposals exhibit the proper due diligence, transparency, and accountability necessary for approval at the City, County and State level. From here forward the terms TIF and Project Development Financing will be employed interchangeably and synonymously throughout these guidelines.

II. General Overview

Authorized by voter referendum in North Carolina in 2004, Project Development Financing is an economic development tool in which public project costs are financed through increases in tax base value within an established TIF district. This increase in *ad valorem* tax revenue is made possible by private development within the district over a fixed period of time which in North Carolina is not to exceed thirty years from creation of the district. By capturing future incremental revenue, the sponsoring government is able to undertake economic development activities or provide subsidies necessary to leverage a private development project that otherwise might not have been possible. This is commonly referred to as the “but for” provision.

At the outset of a TIF district taxes are assessed at a base level concomitant with the tax rate on January 1st of that year. Throughout the duration of the District taxes collected and disbursed to the general fund are held constant at this base level. However, any taxes collected above this base level are allocated to a special incremental tax fund (Revenue Increment Fund) which the jurisdiction holds specifically with the purpose of providing for the cost of public development projects or improvements in the District. Such districts must be contiguous, and may not exceed 5% of the jurisdiction’s total land area. For the purposes of this policy, the Redevelopment Commission of Greenville will only consider applications for TIF Districts which lie solely within the adopted boundaries of the Center City or West Greenville Revitalization Areas, or any combination thereof as defined by the Center City West Greenville Revitalization Plan of 2006.

Under current North Carolina law, Project Development Financing can be used to finance a broad array of public improvements including but not limited to the following:

- Airport facilities
- Auditoriums, coliseums, arenas, civic centers, convention centers, and facilities for exhibition, athletic and cultural events, shows and public gatherings
- Hospital facilities
- Parking facilities
- Sewer improvements
- Storm water and flood control improvements
- Water system improvements
- Public transportation projects
- Industrial parks, land for industrial use and construction of shell
- Street, sidewalk, and neighborhood improvements
- The provision of low to moderate income housing

III. Approval Process Required by NC General Statutes

- A. Define a Development Financing District – Unit officials will define the development financing district (the “District”). The total land area of the District may not exceed 5% of the total land area of the unit. The District expires the earlier of 30 years or the retirement of the bonds. The District must be comprised of property that is either (i) blighted, deteriorating or undeveloped, (ii) appropriate for rehabilitation or conservation activities or (iii) appropriate for economic development of the community.
- B. Establish Development Financing Plan – Unit officials will establish a development financing plan which, among other things, describes the following:
 - The boundaries of the district
 - The proposed public and private development of the District
 - The costs of the proposed public activities
 - The sources and amounts of funds to pay for the public activities
 - The base valuation of the District. This is the amount available before the TIF district is established: base revenues are shared among a mix of local governments that have the power to assess property taxes: schools, cities, counties and special districts.
 - The projected incremental increase in the property valuation of the land located with the District after completion of the improvements. By giving exclusive use of incremental revenues to the sponsoring government (the government that establishes the district), the successful tax increment financing process generates a revenue stream to underwrite projects within the TIF district and to provide development subsidies to encourage growth.
 - How the proposed development of the District will benefit the residents and business owners of the District in terms of jobs, affordable housing or services.

- Any action which will be undertaken if the proposed project has a negative impact on residents or business owners of the District in terms of jobs, affordable housing, services or displacement.
- C. If manufacturing operations will be in the district, the Department of Commerce and Department of Environment and Natural Resources must review and approve the project. The plan must also include a requirement that any new manufacturer to be located in the District comply with certain wage requirements (at least 10% about average weekly manufacturing wage paid in the State). The unit may approve the plan after publishing a notice in the local newspaper, notifying property owners in the District and holding a public hearing on the development financing plan.
- D. Local Government Commission (LGC) Application and Approval – The unit must submit an application to the LGC, along with any statements of facts and documents concerning the proposed project development financing, the unit's financial condition, the establishment of the proposed development District, and the projected incremental tax revenues available for debt service payments on the proposed debt instruments. In addition to its normal findings of sound debt management practices of the unit, the LGC must find the following:
- That the unit has adopted a development financing plan.
 - That the proposed projects are feasible.
 - That the proposed project development financing is necessary to secure significant new project development for a district.
 - That the private development forecast in the development financing plan would not be likely to occur without the public projects to be financed by the project development financing.
 - That the incremental tax revenues accruing to the district, together with any other revenues pledged by the unit, will be sufficient to pay the proposed project development financing debt. An annual report will be required.
 - That the proposed project development financing debt can be marketed at reasonable interest cost to the unit.
- E. Determination of Incremental Valuation – Once a unit has established the District the LGC has approved the financing, the unit must notify the county assessor who then determines the base valuation of the District. The base valuation is the assessed value of all taxable property located in the District on the January 1st immediately preceding the effective date of the District. The base valuation may be adjusted if property is removed from or added to the District. Each year the District is in existence, the tax assessor must determine the current assessed value of taxable property located in the District. The assessor must also compute the difference between this current value and the base valuation of the District. If the current value exceeds the base value, the difference is the incremental valuation of the District.
- F. Revenue Increment Fund – Each unit establishing a development financing district must establish a separate fund (the "Revenue Increment Fund") to account for the proceeds of the incremental valuation of the District. Money in the Revenue Increment Fund may be used to finance capital expenditures in the District, to meet principal and interest requirements on project development financing debt, to repay moneys expended on

debt service on project development financing debt instruments, and to establish and maintain debt service reserves. Each year, after these purposes are satisfied, money remaining the Revenue Increment Fund shall be transferred to the General Fund of the unit.

IV. TIF Compliance with Revitalization and Other Adopted Plans

Any development project undertaken within the bounds of the Center City – West Greenville Revitalization area in which a developer or business is requesting the establishment of a TIF district or the use of funds set aside in a Revenue Increment Fund shall be required to give special attention to acting in accordance with the intent of The Center City - West Greenville Revitalization Plan of 2006. Moreover, such a development will be reviewed for its compatibility with Greenville’s adopted comprehensive land use plan (Horizons) as well as with the adopted Center City – West Greenville Streetscape Master Plan.

Any TIF proposal should be mindful of maintaining or increasing the quality of life, protecting the natural environment, realizing the importance of community appearance and aesthetics, preserving natural and cultural assets, ensuring equal access to cultural, recreational, and economic opportunities, entertaining community participation before, during, and after the implementation of said project.

V. Eligibility and Project Requirements

The use of TIF funding will only be considered by the Redevelopment Commission of Greenville for projects that will be located completely within the bounds of the Center City – West Greenville Revitalization Area. In addition to this requirement, the following criteria will be applied by the Redevelopment Commission when reviewing and considering TIF applications:

- A. Favorable consideration will be given to projects that advance the following goals:
 - Increase the stock of quality affordable housing for residents at or below 115% of area median income. (Projects where federal funds are comingled must target residents at 80% of area median income)
 - Provide mixed uses within the development at a ratio of at least 20% commercial/retail to 80% residential
 - Assist in the revitalization of historic buildings through historically appropriate adaptive renovations
 - Increase the number of jobs that pay at least 120% of the average wage for Pitt County
 - Increase the non-residential percentage of tax base
 - Include additional housing or commercial performance standards that incorporate materials, fixtures, designs and appliances which provide health-

related benefits and energy conservation and enhance quality of life including accessibility; such standards may include: energy conservation equipment and appliances, designs and fixtures that provide for fully accessible dwelling units, and equipment that provides a high level of air quality.

- B. Project types or components that fall within the following categories will not be prioritized for TIF funding:
- Student housing, defined as multi-unit residential structures, whether publicly or privately owned, that are leased whole or in part to students attending post-secondary educational institutions.
 - Projects where the annual projected incremental increase in the property valuation of the District fails to exceed the annual projected public expenditures, such as debt service incurred for the District, by 20 percent.
 - Projects that fail to demonstrate an overall positive contribution to Greenville's economy and that are not consistent with the goals and objectives of the Center City – West Greenville Revitalization Plan and Greenville's Horizons Comprehensive Plan.

VI. Application Procedures

Each application for TIF funding will be submitted to the Secretary of the Redevelopment Commission of Greenville. At the time the application is submitted a member of the City staff will be designated by the Secretary to work with the prospective developer on the application review process. Any application submitted shall include 10 copies of a prospectus including the following:

- a) A map depicting the boundaries of the proposed TIF district
- b) A comprehensive list of the proposed public and private development activities to take place within the district
- c) A detailed cost analysis (pro-forma) of the proposed public and private development activities
- d) The base property valuation of the proposed TIF District. This is the amount said property is valued at before any initial development actions have taken place.
- e) A projected incremental increase in the property's value after any and all development is completed within the confines of said TIF District
- f) A thorough cost benefit analysis detailing quantitatively and qualitatively how the proposed development will affect residents and business owners within the TIF District and an overall vision of how the proposed development will affect the City of Greenville and Pitt County as a whole. Such items to be contained in this analysis include but are not limited to affects on employment, affordable housing, and services provided by the City of Greenville and Pitt County. This cost benefit analysis should also include metrics on where job growth is coming from i.e., whether growth in employment is generated by the advancement of opportunity for the residents of Greenville and Pitt County or

whether such job growth is generated externally by bringing in persons from outside the Greenville/Pitt County area to fill generated openings.

- g) An inclusive and detailed analysis of the market feasibility of the project as a whole and each component part thereof.
- h) The applicant/s should be prepared to provide proof of private financing or other security such as a surety bond guaranteeing completion of the proposed development project.

Furthermore, each applicant shall submit to the Redevelopment Commission Secretary 10 copies of the following general information pertaining to the Applicant(s):

- a) Relevant and germane information pertaining to the applicant/company's professional background and development experience.
- b) An identification of the Applicant(s)' primary, secondary, and tertiary consultants being used or to be used in the proposed project noting each of these individuals backgrounds and involvement in similar past projects.

VII. Review Procedures

Review by the Redevelopment Commission of all applications for Project Development Financing will take into consideration the project's financial soundness, the ability of the developer(s) to complete the project in a timely and cost effective manner, and how the proposal conforms with the intent of this document. Moreover, the Commission's review will assess not only whether the developer(s) have sought alternative means and methods of financing but in addition whether the proposed development will take place "but for" the use of Project Development Financing. Passing the "but for" test will generally be satisfied when the Commission finds that the projected increase of property valuation within the proposed District after the development takes place substantially exceeds the projected increase of property taxes within the TIF District if said project were not to take place.

Typically, the Redevelopment Commission's review of a TIF application will be completed within 90 days. The applicant/s should be prepared to make themselves available during this review period for follow up questions, and may be required to make presentations regarding the proposed development to the Redevelopment Commission or other public bodies.

Favorable recommendations for the use of TIF funding by the Redevelopment Commission will be forwarded to the Greenville City Council for review and consideration. Following such consideration, and in order to move forward with a TIF district, the procedures outlined in Section III above must be followed in accordance with North Carolina law.

Where possible, project confidentiality will be maintained, however applicant's should be aware that as a public body, the Redevelopment Commission as well as City of Greenville staff working to review a TIF proposal must comply with all applicable open government laws of the

State of North Carolina. Some development related information may be excluded from the public record in accordance with Section 132(6)(d) of the North Carolina General Statutes.